

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018 SESSION

BAC1614 – FUNDAMENTALS OF FINANCIAL ACCOUNTING (All Section / Groups)

16 OCTOBER 2017
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTION TO STUDENT

1. This question paper consists of 10 pages excluding cover page with 4 Questions only.
2. Attempt ALL questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided

QUESTION 1

- (a) An account is an important accounting record where financial information is stored until needed. Briefly explain (1) the nature of an account, (2) the different types of accounts, and (3) the manner in which an account is increased and decreased and its normal balance.

(6 marks)

- (b) Khayla Pest Control has the following balances in selected accounts on December 31, 2017.

	<u>RM</u>
Accounts Receivable	0
Accumulated Depreciation – Equipment	0
Equipment	6,650
Interest Payable	0
Notes Payable	20,000
Prepaid Insurance	3,000
Salaries and Wages Payable	0
Supplies	2,940
Unearned Service Revenue	36,000

All of the accounts have normal balances. The information below has been gathered at December 31, 2017.

1. Depreciation on the equipment for 2017 is RM1,250.
2. Khayla Pest Control borrowed RM20,000 by signing a 6%, one-year note on July 1, 2017.
3. Khayla Pest Control paid RM3,000 for 12 months of insurance coverage on October 1, 2017.
4. Khayla Pest Control pays its employees total salaries of RM10,000 every Monday for the preceding 5-day week (Monday-Friday). On Monday, December 27, 2017, employees were paid for the week ending December 24, 2017. All employees worked the five days ending December 31, 2017.
5. Khayla Pest Control performed disinfecting services for a client in December 2017. The client will be billed RM3,000.
6. On December 1, 2017, Khayla Pest Control collected RM36,000 for disinfecting processes to be performed from December 1, 2017, through May 31, 2018.
7. A count of supplies on December 31, 2017, indicates that supplies of RM750 are on hand.

Required

Journalize the adjusting entries as at December 31, 2017 for the seven items listed for Khayla Pest Control. Provide brief explanation.

(10 marks)

Continued...

- (c) Uwais Company had the following adjusted trial balance at December 31, 2017.

Uwais Company
Adjusted Trial Balance
For the Year Ended December 31, 2017

<u>Account Titles</u>	<u>Debits</u>	<u>Credits</u>
Cash	RM 12,800	
Accounts Receivable	8,800	
Equipment	15,900	
Accounts Payable		RM 4,400
Accumulated Depreciation—Equip.		7,400
Share Capital – Ordinary		17,000
Retained Earnings		25,500
Dividends	16,000	
Service Revenue		68,000
Unearned Rent Revenue		1,500
Rent Revenue		6,500
Salaries and Wages Expense	55,700	
Depreciation Expense	6,000	
Supplies Expense	200	
Utilities Expense	14,900	
	<u>RM 130,300</u>	<u>RM 130,300</u>

Required

- (i) Prepare journal entries to close the accounts. (6 marks)
- (ii) Prepare Statement of Retained Earnings for the year ended December 31, 2017. (3 marks)
- (Total 25 Marks)**

QUESTION 2

- (a) How do closing entries for a Merchandising Company that uses the perpetual inventory system differ from the closing entries for a Service Company? (5 marks)

Continued...

- (b) The following is a trial balance for Fatin Amira Sdn Bhd as at 31st December 2017

<u>Accounts Title</u>	<u>Debits (RM)</u>	<u>Credits (RM)</u>
Office equipment	60,000	
Building	125,000	
Accounts Receivables	60,000	
Accounts Payable		38,050
Office expenses	4,000	
Purchases	65,000	
Sales		170,000
Inventory at 1 st January 2012	63,000	
Sales discount	2,050	
Sales return & allowances	1,500	
Purchase return & allowances		6,500
Freight Out	6,000	
Rent and insurance expense	8,000	
Allowance for doubtful accounts		1,500
Dividend	2,500	
Wages and salaries expense	8,500	
Purchase discount		4,500
Share Capital - Ordinary		175,000
Bank Overdraft		35,000
Cash	25,000	
Totals	<u>430,550</u>	<u>430,550</u>

The following additional information is available as at 31st December 2017:

1. Inventory at 31st December 2017 is RM17,500
2. Salaries accrued RM3,500; Office expenses accrued RM850.
3. Rent prepaid RM900.
4. Increase the allowances for doubtful accounts to 10% from the amount of Account Receivable
5. Provide for depreciation as follows: Office equipment 10% per annum and Building 15% per annum. Both fixed assets were depreciated using straight line method.

Required

- (i) Prepare an Income Statement for the year ended December 31, 2017.

(7 marks)

- (ii) Prepare a Statement of Financial Position at December 31, 2017

(5 marks)

Continued...

- (c) Almas Company reports the following for the month of June.

		<u>Units</u>	<u>Unit Cost</u>	<u>Total Cost</u>
June 1	Inventory	300	RM 500	RM 150,000
12	Purchase	450	600	270,000
23	Purchase	750	700	525,000
30	Inventory	240		

Required

Compute the cost of the ending inventory and the cost of goods sold under

- (i) FIFO
- (ii) Average-cost method

using a periodic inventory system. Show all workings on computations.

(8 marks)

(Total 25 Marks)

QUESTION 3

- (a) The books of STE Sdn Bhd. disclosed a cash balance of RM68,757 on June 30. The bank statement as of June 30 showed a balance of RM54,780. Additional information that might be useful in reconciling the two balances follows:

- (1) Cheque number 748 for RM3,000 was originally recorded on the books as RM4,500.
- (2) A customer's note dated March 25 was discounted on April 12. The note was dishonored on June 29 (maturity date). The bank charged STE's account for RM14,265, including a service fee of RM42.
- (3) The deposit of June 24 was recorded on the books as RM2,895, but it was actually a deposit of RM2,700.
- (4) Outstanding cheques totaled RM9,885 as of June 30.
- (5) There were bank service charges for June of RM210 not yet recorded on the books.
- (6) STE's account had been charged on June 26 for a customer's NSF cheque for RM1,296.
- (7) STE Sdn Bhd properly deposited RM600 on June 3 that was not recorded by the bank.
- (8) Receipts of June 30 for RM13,425 were recorded by the bank on July 2.

Continued...

- (9) A bank memo stated that a customer's note for RM4,500 and interest of RM165 had been collected on June 27, and the bank charged a RM36 collection fee.

Required

- (i) Prepare a bank reconciliation statement, using the form reconciling bank and book balances to the correct cash balance.

(5 marks)

- (ii) Prepare the journal entries to adjust the Cash book balance to the reconciled balance.

(5 marks)

- (b) From inception of operations to December 31, 2016, Harris Corp. Berhad provided for uncollectible accounts receivable under the allowance method: Provisions were made monthly at 2 percent of credit sales; bad debts written off were charged to the allowance account; recoveries of bad debts previously written off were credited to the allowance account; and no year-end adjustments to the allowance account were made. Harris's usual credit terms are net 30 days.

The credit balance in the allowance for doubtful accounts was RM260,000 at January 1, 2017. During 2017, credit sales totaled RM18,000,000, interim provisions for doubtful accounts were made at 2 percent of credit sales, RM180,000 of bad debts were written off, and recoveries of accounts previously written off amounted to RM30,000.

Harris Corp. Berhad installed a computer system in November 2017 and an aging of accounts receivable was prepared for the first time as of December 31, 2017. A summary of the aging is as follows:

Classifications by <u>Month of Sale</u>	Balance in each Category	Estimated % Uncollectible
November – December 2017	RM 2,280,000	2%
July – October 2017	1,200,000	15%
January – June 2017	800,000	25%
Prior to January 1, 2017	260,000	80%

Based on the review of collectibility of the account balances in the "Prior to January 1, 2017" aging category, additional receivables totaling RM120,000 were written off as of December 31, 2017. Effective with the year ended December 31, 2017, Harris Corp. adopted a new accounting method for estimating the allowance for doubtful accounts at the amount indicated by the year-end aging analysis of accounts receivable.

Continued...

Required

- (i) Determine the amount of changes in the allowance for doubtful accounts at December 31, 2017. Show all workings on computation. (6 marks)
- (ii) Prepare the journal entry to record the year-end adjustment to the allowance for doubtful accounts balance as of December 31, 2017. (2 marks)
- (c) Information concerning TC Berhad's intangible assets is as follows:

TC Berhad incurred RM352,000 of experimental and development costs in its laboratory to develop a patent that was granted on January 2, 2017. Legal fees and other costs associated with registration of the patent totaled RM65,600. TC Berhad estimates that the useful life of the patent will be eight years.

A trademark was purchased from Johnson & Johnson Company for RM160,000 on July 1, 2014. Expenditures for successful litigation in defense of the trademark totaling RM40,000 were paid on July 1, 2017. TC Berhad estimates that the useful life of trademark will be 20 years from the date of acquisition.

Required

- (i) Determine the amount of Trademark account balances reported after taking into account the above information. Show all workings on computation. (4 marks)
- (ii) Show the amount of patent and trademarks reported in the intangible assets section of TC Berhad's Statement of Financial Position at December 31, 2017. (3 marks)
- (Total 25 marks)**

QUESTION 4

- (a) On March 1, 2016, JATI Furniture Co. issued RM 700,000 of 10 percent bonds to yield 8 percent. Interest is payable semiannually on February 28 and August 31. The bonds mature in ten years. JATI Furniture Co. is a calendar-year corporation.

Continued...

Required

- (i) Determine the issue price of the bonds using the present value factor of a single amount (PV of 1) and of an annuity (PV of annuity) table. (Present value factors table are attached at the end of the page). Show all workings on computation.

(3 marks)

- (ii) Prepare an amortization table through the first two interest periods using the effective-interest method. Show all workings on computation.

(6 marks)

- (iii) Prepare the journal entries to record bond-related transactions as of the following dates:

- (a) March 1, 2016
- (b) August 31, 2016
- (c) December 31, 2016
- (d) February 28, 2017

(6 marks)

- (b) Comparative data for Kerry Inc. are given as follows:

<u>Income Statement Data</u>	<u>2016</u>	<u>2015</u>
Net sales	RM 1,400,000	RM 800,000
Cost of goods sold	<u>840,000</u>	<u>440,000</u>
Gross profit on sales	560,000	360,000
Selling, general, and other expenses	400,000	130,000
Income tax expense	<u>40,000</u>	<u>30,000</u>
Net income	120,000	200,000
Dividends paid	<u>80,000</u>	<u>80,000</u>
Net increase in retained earnings	<u>RM 40,000</u>	<u>RM 120,000</u>

<u>Statement of Financial Position</u>	<u>2016</u>	<u>2015</u>
Assets		
Land, Building and Equipment	RM 800,000	RM 720,000
Current assets	<u>540,000</u>	<u>440,000</u>
Total Assets	<u>RM 1,340,000</u>	<u>RM 1,160,000</u>
Equity and Liabilities		
Share Capital – Ordinary (Par RM5)	480,000	400,000
Retained Earnings	240,000	200,000
Bonds Payable (8%)	320,000	320,000
Current liabilities	<u>300,000</u>	<u>240,000</u>
Total Equity & Liabilities	<u>RM 1,340,000</u>	<u>RM 1,160,000</u>

Continued...

Required

From the given data, compute the following for 2015 and 2016:

- (i) Current ratio.
- (ii) Net profit margin.
- (iii) Gross profit margin
- (iv) Debt-to-equity ratio.
- (v) Times interest earned.

(10 marks)

(Total 25 marks)

Continued...

Present Value of 1

$$P = 1/(1 + i)^n$$

TABLE B.1

Present Value of 1

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.7972	0.7561
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6575
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5718
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.4972
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4323
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3759
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3269
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.2843
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2472
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2149
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.1869
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1625
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1413
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1229
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1631	0.1069
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1456	0.0929
18	0.8360	0.6902	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1300	0.0808
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1161	0.0703
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1037	0.0611
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0588	0.0304
30	0.7419	0.5521	0.4120	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0334	0.0151
35	0.7059	0.5000	0.3554	0.2534	0.1813	0.1301	0.0937	0.0676	0.0490	0.0356	0.0189	0.0075
40	0.6717	0.4529	0.3066	0.2083	0.1420	0.0972	0.0668	0.0460	0.0318	0.0221	0.0107	0.0037

Continued...

Present Value of an Annuity of 1**TABLE B.3**

Present Value of an Annuity of 1

$$P = \left[1 - \frac{1}{(1+i)^n} \right] / i$$

Periods	Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6257
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018	2.2832
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.8550
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638	4.1604
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.4873
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.7716
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3691	7.0236	6.7101	6.4177	6.1446	5.6502	5.0188
11	10.3676	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.2337
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.4206
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.5831
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	5.7245
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	5.8474
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	6.9740	5.9549
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.1196	6.0473
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.2497	6.1280
19	17.2260	15.6785	14.3238	13.1339	12.0852	11.1581	10.3356	9.6036	8.9501	8.3649	7.3658	6.1982
20	18.0456	16.3514	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285	8.5136	7.4694	6.2593
25	22.0232	19.5235	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226	9.0770	7.8431	6.4641
30	25.8077	22.3965	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737	9.4269	8.0552	6.5660
35	29.4086	24.9986	21.4872	18.6646	16.3742	14.4982	12.9477	11.6546	10.5668	9.6442	8.1755	6.6166
40	32.8347	27.3555	23.1148	19.7928	17.1591	15.0463	13.3317	11.9246	10.7574	9.7791	8.2438	6.6418

End of page